



State Board of Equalization

News Release

Chairman Jerome E. Horton

4th District – Los Angeles

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**For Immediate Release
July 25, 2011**

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BOE Chair Jerome E. Horton Announces that Amazon May Not Be Required to Collect District Use Taxes

The new law requiring certain out-of-state retailers (e.g., internet companies) that make sales to California consumers to register with the BOE and collect use tax, does not require retailers to collect district use taxes, unless they are engaged in business in the taxing districts, Board of Equalization Chairman Jerome E. Horton announced today. Thus Amazon, who has refused to comply with the new law, could still have a competitive tax advantage over California-based companies.

“Although the new law applies to certain out-of-state internet companies selling to California consumers, the law does not automatically require every internet company “engaged in business in California” to collect district use taxes,” said Horton. “Amazon could still avoid collecting and paying the district use taxes on California consumers’ purchases.”

For example, internet company X makes an internet sale to Mr. Smith and ships the merchandise from outside of California to his residence in the City of Inglewood via common carrier. As long as internet company X is not “engaged in business” in the districts where Mr. Smith’s residence is located (the City of Inglewood and the County of Los Angeles), then internet company X is not required to collect district tax from Mr. Smith and only has to collect the cumulative state and local use tax rate of 7.25%, for the merchandise it ships to Mr. Smith in Inglewood.

However, if Mr. Smith made that same purchase from a brick-and-mortar store located in the City of Inglewood, then the applicable cumulative state, local, and district tax rate would be 9.25%, including cumulative district taxes of 2%.

In the City of Inglewood, that is a 2% (cumulative district taxes) advantage. Furthermore, that 2% may be Mr. Smith's liability.

In this example, internet company X is not obligated to collect the district taxes since it is not engaged in business in the City of Inglewood or the County of Los Angeles. This gives the out-of-state retailer a 2% tax advantage and allows it to appear to sell their products for 2% less than the Inglewood store.

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization Legislative Committee chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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